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RECALCULATING AUTONOMY: JAPAN'S CHOICES IN THE NEW WORLD ORDER

*Michael J. Green
and
Richard J. Samuels*

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Fax (206) 632-7487

FOREWORD

Not since the Second World War has Japan faced a future fraught with so much uncertainty. The nation's economic bubble has burst, and its political system has undergone upheavals unprecedented in the postwar era. In addition, the end of the Cold War has forced Japan to reconsider the relevance of its security strategy to the challenges of the 1990s. In short, the premises and conditions upon which Japan's postwar leadership built success after success no longer pertain.

In this issue of *NBR Analysis*, authors Michael J. Green, of the Paul H. Nitze School of Advanced International Studies at The Johns Hopkins University, and Richard J. Samuels, of the Massachusetts Institute of Technology, examine the choices facing Japan in the new world order. They argue that Japan's overriding foreign policy objective—maximizing autonomy in an increasingly complex and interrelated global environment—can no longer be fulfilled by a strategy of “comprehensive security,” but requires a new set of tools.

After detailing the recent political and economic transformations confronting Japan and the new strategic environment, Green and Samuels outline three possibilities for “the ways in which contradictions between autonomy and interdependence will be played out in Japanese thinking.” They envision three scenarios for Japan's global role: “a Japan that can say ‘no’”; “a Japan that can say ‘yes’”; and “a Japan that doesn't know what to say.” Of the three, the authors argue that the latter is the most likely: continued dithering regarding economic and political reform and continued ambivalence regarding relations with the United States. Finally, Green and Samuels suggest to U.S. policymakers some ways to improve the odds that Japan will eventually say “yes” to global economic interdependence and shared responsibility for international security.

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Richard Ellings
Executive Director
The National Bureau of Asian Research

RECALCULATING AUTONOMY: JAPAN'S CHOICES IN THE NEW WORLD ORDER

Michael J. Green

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Introduction

Since the Meiji Period, Japanese foreign policy has been driven by the overriding goal of reducing uncertainty in a hostile world. For prewar Japan, this involved maximizing diplomatic and economic autonomy within the international system on the one hand, and enhancing domestic industrial and technological capabilities on the other. After 1945 Japan gave up its autonomous role in international affairs and allowed the United States to shape its strategic environment. But the Japanese continued to pursue autonomy within an insulated economy and polity. Although the emphasis on autonomy is hardly unique to Japan, Japan has been extremely successful at reducing or avoiding the costs of interdependence, and the pursuit of autonomy continues to inform its policy choices. In this essay we will explore the political, economic, and foreign policy implications of Japan's pursuit of autonomy as it enters a new era in its relationship with the rest of the world, richer and stronger than ever.

We start with history. *Fukoku Kyohei*—"Rich Nation, Strong Army"—was the guiding principle of the Meiji oligarchs who sought, through economic and technological development and diplomatic maneuver, to secure Japan's sovereignty within Asia and thus avoid the fate that had met the unprepared rulers of the Qing Dynasty in China.¹ Japan developed economic and political institutions to maximize national autonomy and reduce insecurity. These institutions were bound together by an ideology of national security that placed technological and economic autonomy at the center—strength was equated with wealth. They evolved from nineteenth-century mercantilism and survived twentieth-century militarism. And in the case of technology—arguably the one area in which Japan has achieved superpower status—Japan demonstrated that a nation need not articulate clearly a military technology strategy if it embraces an economic ideology that holds technology itself to be strategic.

Japan has faced a strikingly similar new world order at least once before. In the 1920s Japan had just lost the last of its Meiji Period oligarchic leaders; new electoral laws were leading to an unstable

¹For elaborations of this model, see Richard J. Samuels, *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan*, Ithaca, NY: Cornell University Press, 1994; and Michael J. Green, *Japan's Search for Autonomous Defense Production: Technonationalism and Alliance Politics in the Post-War Era*, Washington, DC: The Paul H. Nitze School of Advanced International Studies (hereafter referred to as SAIS), The Johns Hopkins University, 1993.

Michael Green is visiting assistant professor of Asian studies at the Paul H. Nitze School of Advanced International Studies, The Johns Hopkins University. He has published numerous articles on Japanese defense issues and U.S.-Japan relations. Richard Samuels is the Ford International Professor and head of the Department of Political Science at the Massachusetts Institute of Technology. His writings include *Rich Nation, Strong Army: National Security and the Technological Transformation of Japan* and *The Business of the Japanese State*. The authors wish to thank James Chung and Eric Heginbotham for their comments on a draft of this essay.

but democratic two-party system; the bureaucracy was divided and politicized; Japan was moving away from a bilateral treaty with Britain (then the world's greatest naval power) toward a series of ill-defined multilateral security treaties; and the Finance Ministry was preparing to liberalize financial markets and move onto the gold standard—in effect converging with a Western economic system on the verge of turning protectionist. The displacement and loss of control caused by this failed effort at convergence contributed directly to the autarkic policies of the 1930s.²

For prewar Japan wealth was indeed the equal of strength; but with technological and economic maturation came a requirement for greater interaction and interdependence with other powers. Indigenization of technology, industrial development, and the costs of defeating China, Russia, and Germany in Asia caused Japan to become ever more dependent on foreign capital, foreign trade, and foreign resources—and with this dependency came foreign demands. In such an environment of dependency the singular pursuit of technological and economic autonomy had undesirable consequences, and the drive for diplomatic and military autonomy led to defeat and a loss of sovereignty. The lesson for postwar Japan seemed simple: autarky was not the answer. Japan's economic security had to be achieved through growth and its sovereignty secured through indigenous technological development. Alliance with the United States would provide for military security. In short, the nation's security needs would be conceived “comprehensively.”

The alliance was not warmly embraced by all. Many Japanese feared being dragged into a superpower confrontation and resisted the U.S.-Japan alliance. The constitutional debate over defense was led by the same Socialists (advocating unarmed neutrality) and Liberal Democrats (advocating alliance with the United States) who consummated an uneasy marriage of convenience in June 1994. This debate remained the most divisive issue in domestic Japanese politics throughout the 1970s. Even as late as 1981, Foreign Minister Masayoshi Ito was forced to resign for having allowed Prime Minister Zenko Suzuki to use the word “alliance” (*domei*) to characterize the U.S.-Japan relationship. At that point Japanese strategists had already begun to try to reassure the electorate that Japan could provide for its national security without resorting to militarism. Their framework, “comprehensive security,” has proved a durable tool for both domestic and international constituencies. First articulated in a study group report to Prime Minister Masayoshi Ohira, the strategy holds that nations can make three kinds of efforts to achieve security: change the external environment so that threats recede; achieve self-reliance to cope with threats; or achieve solidarity with allies to confront or eliminate threats. The report was straightforward: the “absolute and relative” decline of the United States vis-à-vis its Japanese and European allies dictates greater self-reliance, but Japan's own Self-Defense Force (SDF) does not—and for political reasons cannot—possess the minimum necessary denial force.³

The report was noteworthy because it stipulated formally that military affairs were only one part of national security and codified the concept of comprehensive security.⁴ The report was designed as an omnibus threat assessment to mobilize a broad national consensus on security issues. Comprehensive security addresses Japan's foreign relations, its military power, and its vulnerabilities (including energy and food shortages and natural disasters). The concept addresses overt military threats as well as economic threats to the livelihood of Japanese citizens. Central to this strategy has been a national commitment to indigenizing technology, to diffusing it throughout the

²David L. Asher, “Convergence and its Costs: The International Politics of Japanese Macroeconomic Liberalization, 1918–1932,” unpublished manuscript, London School of Economics, 1991.

³Greater autonomous defense capabilities for the SDF were pushed in the early 1970s by Yasuhiro Nakasone, among others, but the prospect of an independent Japanese military force proved far too destabilizing to both the region and domestic politics to be sustainable. Ohira's concept of comprehensive security therefore rested squarely on the alliance with the United States, despite its imperfections.

⁴The best general sources on comprehensive security are: J.W.M. Chapman, Reinhard Drifte, and Ian T.M. Gow, *Japan's Quest for Comprehensive Security: Defense, Diplomacy, Dependence*, New York: St. Martin's Press, 1982; Davis S. Bobrow and Steven R. Hill, “Non-Military Determinants of Military Budgets: The Japanese Case,” *International Studies Quarterly*, 35 (March) 1991, pp. 39–61; and R.W. Barnett, *Beyond War: Japan's Conception of National Security*, McLean, VA: Pergamon-Brassey, 1984.

economy, and to nurturing firms that could benefit. These commitments have been embraced throughout Japan's modern history, although with varying intensity. Pursued separately and measured in conventional economic terms, each has effects that are costly and inefficient. Pursued jointly and understood in an ideological context, this package has engendered industrial strength and national security.

Despite efforts to develop a comprehensive approach to security in the postwar era, however, the fundamental achievement of autonomy within the international system has proven elusive for Japan. Technological and economic growth has brought demands for greater global contributions. Recycling trade surpluses through foreign aid and supporting U.S. forces in Japan seemed to satisfy the United States through the 1970s and 1980s, but increasingly Japan is under pressure to contribute not only money, but also technology, ideas, and people—and above all, to deregulate and open its markets to the rest of the world in a way that threatens a loss of economic sovereignty (or at the very least an unprecedented reduction of government jurisdiction in the national economy). Until now Japan has not been completely successful in achieving autonomy, but it has been extremely successful in avoiding many of the costs of its interdependence with the United States. But today Japan, like the United States, is faced with a new world order for which it has no compass. Compared to the United States, however, Japan has fewer tools with which to chart a new course.

It is not foreign pressure alone that is compelling Japanese policymakers to reconsider the system that has brought them so much success. Demographic change, the escalating costs and risks associated with indigenous technological development, political restructuring, and economic competition from the rest of Asia all conspire to force Japan to reconsider its economic exceptionalism. Japan, with some 15 percent of global GNP, can no longer justify a level of foreign asset valuation holdings in the domestic economy that is one-twentieth the level of the United States (as a percentage of total assets); it can no longer expect the world to accept levels of manufactured imports into Japan that are less than one quarter the United States and European Community average; nor can it maintain a heavily regulated stock market in which return on equity averages only 75 percent of Wall Street and in which more than one third of the outstanding shares are not publicly traded.⁵ As in the 1920s, Japan again faces a choice between embracing change and convergence or struggling to maintain a high degree of autonomous control over its economic destiny.

There is little evidence of this momentous decision in the day-to-day dialogue of policymakers and politicians. A visitor to Japan's bureaucratic and political centers will instead encounter an independently powerful (but increasingly defensive and parochial) bureaucracy and politicians concerned only with survival in the new electoral districts and political parties that will dominate their lives for the next few years. After all, in June 1994 President Clinton learned that he was going to have to make the acquaintance of a Socialist Japanese prime minister, his fourth counterpart in the 18 months of his presidency. This most unlikely leader, Tomiichi Murayama, was supported by the rump of a divided Socialist Party and the rump of a decimated Liberal Democratic Party (LDP). His ascension was brokered by Masayoshi Takemura, who might be described as leading the rump of the Ozawa/Hata/Hosokawa coalition. All that these former adversaries have in common is an aversion to dramatic economic and political change and an animus for the allies of Ichiro Ozawa. For the time being, at least, this will be enough. A trip to the business centers of Tokyo and elsewhere reveals a similar kind of malaise. Businessmen wonder when the recession will turn around and have not yet stepped forward to identify a political leadership they will support.

However, the apparent lack of strategic thinking is deceptive. Political reform, bureaucratic hunkering-down, and half-hearted efforts at corporate "rationalization" in the short term are all paving the way for potentially radical departures in Japanese foreign and economic policies

⁵Japan's Ministry of International Trade and Industry, *Nippon 1994: Facts and Figures*, May 17, 1994; and the U.S. Department of Commerce.

in the medium and long term. Japan has never been short on exhaustive contemplation of the future. It is just that this time the future is less clear than at any time in the last forty years. We cannot predict with certainty which new political parties or leaders will survive this transition, much less how long Murayama will last. But we note that the conflicting demands of autonomy and integration have been a constant fixture in Japanese strategic calculations. Our purpose here is to stipulate these parameters, to use them to map Japan's political discourse, and to suggest possible strategic choices for the United States.

The Political Transformation

As leading historians have noted, Japan's postwar arrival at a security strategy premised on alliance with the United States was crucial to the consolidation of long-term conservative rule.⁶ The "1955 system," which established the Liberal Democratic Party as an unbeatable electoral juggernaut, was essentially a Cold War system. The LDP was returned to office for four Cold War decades with a simple platform of opposition to communism and support for economic growth under the aegis of the U.S.-Japan alliance. Factional struggles within the party actually contributed to its dynamism in electoral struggles, while a highly competent bureaucracy handled the real business of tending to the economic policies that fostered high economic growth. As a flexible, catchall party, the LDP was able to coopt effective opposition policies (on the environment, social welfare, labor law, etc.) and use the distributive powers of government to maintain majority support in an electorate buoyed by the promise of steady and equitable economic growth.

By the late 1980s, however, the 1955 system had begun to show serious "structural fatigue."⁷ The bubble economy (caused by rapid yen appreciation after the 1985 Plaza Accord and upward-spiraling land speculation) led to perverse disparities in income between those who owned land and those who did not. Political scandals accelerated, with revelations that politicians were engaging in stock speculation and bribery for personal aggrandizement rather than for political advancement (something that was perhaps more acceptable to constituents). Economic success and increased offshore production meant that industry was diversifying in its political objectives and was therefore less able to impose discipline on the conservative party it had played such a role in establishing and funding. Finally, when the bubble burst and Japan slipped into recession in 1991, the LDP lost its credibility as an efficient manager of economic growth. All that remained to uphold the LDP's mandate was anticommunism, and when President George Bush declared the Cold War over in the early 1990s, the final pillar of the 1955 system was removed. With the birth of former Prime Minister Morihiro Hosokawa's Japan New Party and defections from the LDP that led to the creation of the Renewal Party of Tsutomu Hata and Ichiro Ozawa and the Harbinger Party of Masayoshi Takemura, the stage was set for Japan's first non-LDP cabinet in almost four decades.

Yet while the end of long-term LDP rule has marked an historic departure in Japan's postwar political history, the event was hardly revolutionary at its core. After all, Mr. Takemura returned eleven months later to broker a governing coalition with Yohei Kono's LDP. The contrast to Italy's domestic political transformation in the same period is instructive. Unlike Italy, where mob corruption, economic mismanagement, and the demise of the communist threat led the voters to force out an entire political class, the Japanese politicians—some tied similarly to organized crime and corruption—are reinventing themselves as reformers. There is no one in Tokyo in the 1990s like Italy's new reformist prime minister, Silvio Berlusconi, who has entered the political class from the private sector. Instead, the leaders of Japan's post-LDP coalitions have all been younger ex-LDP leaders. In

⁶ See Kenneth Pyle, *The Japanese Question: Power and Purpose in a New Era*, Washington, DC: American Enterprise Institute, 1992; and John Dower, *Empire and Aftermath: Yoshida Shigeru and the Japanese Experience, 1878-1954*, Cambridge, MA: Harvard University Press, 1979.

⁷ A phrase coined by Ryoza Utagawa in a monograph published by the International Institute for Global Peace, *A Brave New World: Can Domestic Japanese Politics Change?*, April 1992.

many ways the political transformation of the 1990s is closer to the transformation of Japan's bureaucracy in the 1940s. In 1945, pragmatic bureaucrats transformed themselves into democrats and allies of the United States. Shigeru Yoshida, Nobusuke Kishi and others all served Emperor Hirohito during the war and John Foster Dulles afterward. In the current version of this reinvention, pragmatic politicians are recasting themselves as reformers and as allies of Japanese voters who (at last) have grown tired of consuming for production rather than the reverse. Every single one of the principals of the post-LDP coalition were former members of the largest and most corrupt faction in postwar politics—the Tanaka faction. Indeed, the great irony is that the current head of the LDP (and foreign minister), Yohei Kono, is arguably the truest reformer. He split from the LDP in the mid-1970s to protest Tanaka's "money politics" (and Hosokawa refused to join him). When Kono's "New Liberal Club" failed, he returned, chastened, just in time to see Tanaka's former lieutenants reinvent themselves as reformers.

If the eleven-month eclipse of the LDP was not a revolution, it is because the Japanese voters are not revolutionary in their thinking. In fact the tremor of 1993 can be seen as a conservative uprising against a party structure that had betrayed the traditional social compact between politician and voter and thus lost the "mandate of heaven."⁸ In the Lower House election that preceded the creation of the non-LDP Hosokawa coalition, the total number of conservative politicians (current and former LDP members) actually increased, while the socialist ranks were cut in half by the electorate. The electorate's insistence on maintaining continuity in the midst of political change was evident in the new coalition's declaration that it would not abandon any of the foreign or economic policies of the LDP.⁹ (Similarly, Socialist Prime Minister Murayama immediately disavowed his party's traditional foreign policy positions and announced support for the U.S.-Japan alliance and even for Japanese participation in UN peacekeeping operations.)

Even if the short-term potential for substantive change in Japanese politics is undermined by the presence of reinvented reformers and by an unsteady LDP/Socialist/Harbinger alliance opposed to talk of an expanded Japanese global role, we should not be blind to the real potential for change in the medium to long term. In this sense the most significant event of 1993–94 was not the collapse of Kiichi Miyazawa's LDP government in June or the formation of a coalition under Hosokawa in August 1993, but the passage of a compromise electoral reform bill in the Diet in January 1994.

The reform bill was probably opposed secretly by most politicians in the Diet because it re-arranges or removes every one of their districts, but the popular momentum for structural reform was too powerful for all but the most electorally secure politicians to resist. Under the old system they ran for one of 511 seats divided into 126 districts across the country. With an average of four seats per district and the probability that LDP politicians would be running against fellow party members (but fierce rivals), there was a strong disincentive to run a campaign based on policy issues and an equally strong incentive to join one of the LDP factions. Elections meant winning constituents with favors, not ideas. Factions meant that even with "changes of government," the party would remain the same (and thus the bureaucracy and business could also anticipate continuity). Under the new system, politicians will run either for one of 300 single-seat districts or for one of 200 slots that are distributed to parties in a European-style list system divided into eleven regional blocs. The new system will weaken or destroy factions and will probably lead to the emergence of two or three major parties (one of which may or may not be the LDP).

The end of single-party dominance may mean a new role in the economy for Japan's bureaucracy. It is possible that the ministries—and the mandarins within them—will have to choose political sides and face real changes in governments for the first time in anyone's memory. Party politics

⁸Juichi Kyogoku, *The Political Dynamics of Japan*, Tokyo: University of Tokyo Press, 1983.

⁹For a full account of the political events that brought the coalition to power, see *The United States and Japan in 1994: Uncertain Prospects*, The Edwin O. Reischauer Center for East Asian Studies, SAIS, The Johns Hopkins University, May 1994.

in the 1920s led to politicization of the ministries. New party politics in the 1990s will likely have the same effect, meaning that with time Japan's elite may find entering the civil service an even less secure opportunity than entering politics or business.¹⁰ As expertise flows to other sectors of the political economy, the bureaucracy's efforts to control information and markets will dissipate. This has already begun to happen to the Ministry of International Trade and Industry (MITI) as a result of market changes, and could spread to other ministries, such as Posts and Telecommunications or Transportation, as a result of political restructuring. The last to change is likely to be the Ministry of Finance, as it wields the broadest powers in taxation, financial markets regulation, and budget-making.

Structural changes in a nation's electoral system alone cannot guarantee a shift from single-party dominance toward competition among two or more parties, of course: that will depend upon whether there are broader cleavages in society that will sustain competing parties. We see a strong possibility for the emergence of such cleavages as economic and political changes intensify the conflicting demands for autonomy and integration. Japanese policymakers face difficult choices in the decade ahead, and the economic winners and losers of those decisions will find an outlet for their fears and ambitions in a new party system that has yet to form.

We believe that Japan's current political leadership can be mapped along the ideological dimensions outlined below. On the vertical, or international, dimension there are those who prefer Japan to remain insular and those who prefer Japan to integrate more fully in the global (or regional) order. On the horizontal (domestic) axis, there are those who prefer a liberalized economy with less bureaucratic intervention and those who prefer a status quo of business-government cooperation:

An Ideological Map of Japan's Political Leadership

International \ Domestic	Insulated Economy / Autonomy (Status Quo)	Liberalized Economy
	Japan as "Normal" Nation (Including a Political/ Military Role)	Shintaro Ishihara (LDP) Ryutaro Hashimoto (LDP) Seiroku Kajiyama (LDP)
Japan as "Civilian" Pacifist Nation	Tomiichi Murayama (JSP) Masayoshi Takemura (Harbinger)	Morihiro Hosokawa (Japan New Party) Toshiki Kaifu (Independent) Yohei Kono (LDP) Masayoshi Gotoda (LDP)

Note: In September 1994 the Renewal, Clean Government, and Japan New Parties merged into the Reform Party.

The Economic Transformation

From 1955 through 1970 Japan's economy grew at a ten-percent real annual per capita rate. While Japan's economy slowed to three percent from 1970 to 1990, the fundamental pillars of what economist and Ministry of Finance official Eisuke Sakakibara calls Japan's "anthropocentric" model of capitalism remained more or less intact.¹¹ *Keiretsu* (finance-centered groups of companies) mem-

¹⁰Early evidence of this came with the almost unprecedented, and intensely political, forced resignation in early 1994 of the leading candidate to be the next administrative vice minister of MITI.

¹¹Eisuke Sakakibara, *Beyond Capitalism: The Japanese Model of Market Economies*, Lanham, MD: University Press of America and the Economic Strategy Institute, 1993.

bers' cross share holdings and a heavily regulated stock market meant that Japan's manufacturing firms could continue to exist in an almost risk-free haven. In the 1980s the average return on equity for Japan's top 350 industrial companies was only 8.5 percent, compared with 13.9 percent for the top U.S. industrial corporations.¹² In such an environment of "mutual insurance," large Japanese companies could afford to maintain lifetime employment; deemphasize price; invest more in plant, equipment, and research and development (and even absorb bad real estate deals); and satisfy investors by building market share through incremental technological improvements in products that rivals in all the other *keiretsu* were also selling—rather than through risky new ventures that might provide higher yields. Government's role was to back up this mutual insurance system by helping large uncompetitive firms to survive. MITI equalized competitiveness among companies by indigenizing, nurturing, and diffusing technology. The Ministry of Finance guaranteed that capital remained cheap and that not a single bank would fail. Income, assets, and technology were distributed equally, and uncompetitive players were insulated from foreign competition.

Since 1992, however, this anthropocentric system of "capitalism without cost" has shown real strain. The numbers associated with the immediate post-bubble recession are striking: 0.1 percent GNP growth in 1993; zero new hirings for many large manufacturing firms; a real estate loss of value of 25 percent in Tokyo and Osaka; corporate profits down 23.3 percent. And all this was despite a record-breaking cut in the official discount rate to 1.75 percent. Although few firms have experienced the sustained and wrenching losses of their U.S. counterparts, these figures do not begin to measure the structural nature of Japan's economic dilemma. Japan's economy must adjust to lowered GNP growth rates of two percent at best in the 1990s.¹³ The bursting of the bubble has meant that Japanese companies saw their traditional hidden asset base virtually disappear in 1992 (land assets by \$2 trillion and stock by \$1.6 trillion). Increasingly, Japan's corporate financial officers "will face dependence on globalized, competitive financial markets to raise their investment financing."¹⁴ For the first time in decades, capital will cost, and so too will capitalism; we can expect to see losers as well as winners. We can also expect to see active business-government collaboration to ameliorate the most dislocating effects of this shift.

Other long-term trends exacerbate the immediate financial crisis. Japan's heavily regulated financial markets are not designed to support risky high-technology ventures (the kinds of companies that were born with the help of venture capital in the United States—companies that grew to become Intels and Microsofts). Those larger Japanese companies that are eager to acquire equity in American start-ups are unsure where to place their technological bets.¹⁵ They seem to have difficulty identifying and nurturing an enabling technology for the early twenty-first century with as great an impact as microelectronics in the late twentieth century. The spread of technology across borders, the heightened risk of missing the next great technological wave, and the development of niche markets and global corporate alliances mean that MITI and its corporate partners will pay ever higher premiums (political and financial) to support large indigenous technology projects at the systems level. In addition, pressure from the high yen is driving Japanese production offshore and strengthening the competitiveness of rival heavy industries in Asia's "little dragons."

Demographic and lifestyle trends also bode ill for the Japanese economy. An aging society will reduce the income tax base while simultaneously creating new fiscal pressures on the government (not to mention corporations burdened with increasing numbers of unproductive "windowseat

¹²Sources: Nomura Research Institute and Standard & Poors. Cited in Ide Masasuki, "The Japanese Financial System and the Competitiveness of Large Japanese Companies," paper for the Conference on Japanese Corporate Organizations and Finance, Australian National University, 1992, p. 14.

¹³Source: Economic Planning Agency. Cited in "The Medium-term Outlook for the Japanese Economy FY1994–1998," *Japan Research Quarterly*, Winter 1993–94, Vol. 3, No 1.

¹⁴Arthur J. Alexander, "Japan as Number Three: Long-term Productivity and Growth Problems in the Economy," *JEI Report*, Washington, DC: Japan Economic Institute, April 29, 1994.

¹⁵*Japan Research Quarterly*, *op. cit.*, p. 12.

tribesman”). Citizens are demanding better protection of the environment and more balanced lifestyles, and are less patient than ever—although they are undoubtedly still willing to put up with far less for far longer than their American counterparts.

We do not want to suggest that Japan’s economy is heading for disaster. Far from it—there are already signs of recovery. Japanese companies could continue to strengthen their competitiveness in a variety of fields, including software, biotechnology, and space—areas of enormous potential where Japan is a relative newcomer and where it continues to enjoy access to advanced foreign technology. However, the competitiveness of the Japanese economy will depend ultimately on how well business and government manage Japan’s global interdependence. They can no longer assume that Japanese growth and development will be underwritten by U.S. openness resulting from security priorities; Japanese strategists will need to accept the costs that contemporary capitalism and the relentless search for autonomy generate. While Japanese planners have for decades fended off having to confront these costs directly, we believe that in the post-Cold War environment an accounting will ultimately be made. Japan’s government has sunk 30 trillion yen into the economy over the last two years (more than the Marshall Plan!) in desperate fiscal efforts (“domestic stimulus packages”) to maintain the status quo. But the more difficult choice between integration and autonomy—and on what terms—is coming. Japan has two basic options.

The Conservative Response

Japan surfed the turbulent waves of “liberalization” in the 1960s, when it was compelled to reduce tariffs as the price for entering the Organization for Economic Cooperation and Development (OECD), and again in the 1970s, when Japan was compelled to dismantle nominal barriers to direct foreign investment. In neither case was there as much de facto as de jure liberalization. Japan turned to similar kinds of reform in the 1980s when it elected to “deregulate” domestic markets. Even if some bureaucrats and allied business leaders appreciate the importance of substantive reform—both to meet foreign criticism and to make Japanese firms more competitive in global markets—a conservative strategy of doing just enough to maximize autonomy while reducing the foreign impact on the domestic economy worked repeatedly in the past. We might expect to see it invoked again. If the choice for piecemeal deregulation and limited market opening is again invoked, we can anticipate new attempts at *medama shohin*, national technology projects justified by independent foreign policy goals. Japan would fail to contribute fully to the maintenance of the global economic system, turning instead toward efforts at greater control of Asia’s regional economic system.

The Bolder Response

Alternatively Japan could push the envelope of “creative destruction” by introducing meaningful financial deregulation and aggressively opening markets; it might improve intellectual property rights protection and let companies (even banks) fail. In exchange for this openness and letting-go of domestic control, Japan might expect to gain a greater role in the management of the global economy. But this would come at the risk of a reduced role in the management of the domestic economy. The elaborate system of compensation for losers, central to the “anthropocentric” model described by Sakakibara, would have to be undone. But this is not the sort of risk the Japanese government (or any incumbent regime) invites on itself. Nor is such risk-taking a strategy with any successful precedent. Boldness is a long shot.

To date, the initiatives taken by the Japanese government, industry, and political leaders to cope with threats to Japan’s autonomy—measured in degrees of freedom for independent economic and diplomatic action—are rather more conservative than bold. Inviting international participation in research consortia on such projects as intelligent manufacturing systems (IMS) or hypersonic en-

gines provides Japan time, technology, and the moral high ground. Similarly, “market opening measures” and the Japan External Trade Organization’s (JETRO’s) “foreign business centers” are neither significant in themselves nor dramatic departures from paths already well trod. (Witness the outcome in October 1994 of the U.S.-Japan Framework Talks in which no agreement was reached on automobiles, by far the largest item on the bilateral trade agenda.) It seems that Japanese leaders are still trying to insulate themselves against fuller integration, while reinforcing Japan’s historically effective security ideology. The Murayama/Kono/Takemura alliance of mid-1994, with its inward-looking “bourgeois nationalism,” has set back the agenda for change even further.¹⁶ The question is, however, can this security ideology be adapted to a new strategic environment?

The New Strategic Environment

Given Japanese ideas about security, the outcome of current debates within Japan’s defense and foreign policy communities will be as important as the economic and technological choices outlined above. Let us briefly examine these debates.

It is an irony of history that Japan opted against neutrality in order to pursue economic growth and technological autonomy. The alliance with the United States was designed to maximize the possibility of enriching and strengthening the nation. There is no doubt that support for the U.S.-Japan security treaty is still strong in Japan today, but the alliance, like LDP dominance, is based on Cold War logic and its residuals, such as the lingering “northern threat” from a desiccated Russia or North Korea, the reassurance that the alliance provided for Japan’s trading partners in the region, and the framework for defense spending. Increasingly Japanese policymakers are looking for ways to influence their security environment independent of the United States, but the prospects for real control of security based on the Yoshida Doctrine (which nestles Japan under the U.S. security umbrella) or comprehensive security are not strong.

What do Japanese strategic planners worry about? All of Tokyo’s immediate Northeast Asian neighbors offer the potential for both mutually beneficial economic interaction and political or even military destabilization. Over the long term, political developments on the Chinese mainland could have the greatest impact on Japan. In 1993 and early 1994 Tokyo succeeded in reestablishing a full political and economic dialogue with Beijing that is a striking contrast to Washington’s turbulent post-Tiananmen Square relationship with the P.R.C. It can be safely said that Japanese businesses are firmly on board the China project, and that they often seem to be well ahead of the diplomats.

Visits to Beijing by Emperor Akihito and then-Prime Minister Hosokawa (the latter undercutting America’s China policy) and Chinese acceptance of Japan’s new UN peacekeeping role in Cambodia (though with admonishments for “prudence”) symbolized each country’s growing acceptance of the other’s expanded regional and global roles. On the other hand, the Japanese government has also expressed concern with Beijing’s military expansion. The 1993 Japan Defense Agency White Paper, for example, highlighted the Chinese military’s recent efforts to improve air and naval power projection capabilities, and the Ministry of Foreign Affairs has on numerous occasions suggested that China’s 1993 renewal of nuclear weapons testing and growing production and export of arms could lead to a reconsideration of development aid.¹⁷ China watchers in Tokyo are generally sanguine about the future prospects for Sino-Japanese relations but do not discount two other alarming scenarios: a hegemonist China with territorial ambitions over the Senkakus, the Spratlys, the Paracels, and even Taiwan; or a fragmented China with a renegade military establishment exporting weapons and with active crime syndicates throughout the region.¹⁸ Japanese policymakers

¹⁶Thanks to David Asher for his term, “bourgeois nationalism,” and for his evaluation of the Murayama government.

¹⁷Japan Defense Agency, *Defense of Japan*, 1993, p. 54.

¹⁸Chinese claims over the Senkaku Islands, for example, are being pressed more strongly than ever. In addition to Chinese naval patrols, there has been occasional harassment of Japanese fishing vessels in the East China Sea.

recognize that, given its rapid economic growth and the waning of bipolar superpower influence on Asia, China will have a greater impact on Japan's own security than has been the case at any point since World War II.

Japanese writers frequently point out that their nation faced a "northern threat" before the Cold War, and that despite the demise of the Soviet Union there is a continuing need to deter Russian military forces around Japan. Japanese strategists have feared that Russia would use the Strategic Arms Reduction Talks (START) negotiations as an excuse to increase the number of ballistic missile submarines in the Sea of Okhotsk and the Conventional Forces Elimination (CFE) Treaty as an opportunity to modernize conventional forces in the Far East.¹⁹ There are no signs of closure on the Northern Territories problem; indeed, Russian officials (including Foreign Minister Andrei Kozyrev) have made increasingly inflexible statements on territorial issues in recent months. And scenarios for the future are not promising. A disintegrating Commonwealth of Independent States would make diplomatic negotiations over economic and territorial issues more complex and would increase the prospects that desperate former Soviet military officers might dump hazardous nuclear waste and proliferate weapons of all kinds in the region. On the other hand, a resurgent Russia with hegemonist tendencies would return Japan to the military environment of the Cold War. (This is admittedly a distant prospect now that Russia's nominal defense budget is even lower than Japan's.)

There are potentially significant areas for economic cooperation between Japan and Russia, particularly in projects to develop the massive oil and gas resources of Siberia and Sakhalin, but cooperation would be possible only under the most benign of Russian governments. In fact, it would require the Japanese government to negotiate its way through a complex maze of legal, cultural, and political-military issues in which Tokyo is limited to technological and economic leverage alone. In the meantime, Japanese industry, which would have to be enthusiastic about the opportunities in Russia, is anything but.

The Korean Peninsula has always figured prominently in Japanese strategic thinking, but recent developments across the Tsushima strait, including the death of Kim Il Sung and negotiations over North Korea's nuclear program, have made Japanese planning particularly complex. Pyongyang's nuclear weapons development program and the test-launching of the Nodong missile have made Japan a direct military target from the peninsula for the first time since the Mongol invasions of the thirteenth century. Tokyo fears both that U.S. nonproliferation policy toward the North might spark a desperate military response from Pyongyang and that the United States lacks the resolve to deter any North Korean threats to Japan. Even without a direct attack from the North, war on the Korean Peninsula would create a tidal wave of refugees which Japan could not accommodate. Peaceful reunification of the peninsula is in Japan's interests but is no guarantee to regional stability either, given the South's growing naval capabilities and the possibility (however remote) that the new Korea would be nuclear-armed.

China, Russia, and the Korean Peninsula present Japan with foreign policy challenges that cannot be met with the old Cold War modus operandi alone. During the Cold War, Japan struggled to maintain some degree of autonomy under the U.S.-Japan alliance in order to avoid becoming *makikomareru* (caught up) in U.S. conflicts in the region that did not directly affect Japan's security—or as an insurance policy against possible U.S. withdrawal. On the whole, however, Japan's influence on the Northeast Asian security landscape was determined by U.S. policy. To a significant extent it still is. Japanese policymakers recognize that, in the future, coordinating policy with the United States will increase Japan's leverage as it tries to nudge China, Russia, and the Koreans toward more positive roles in the region. But they also recognize that this coordination will be more

¹⁹Hiroyuki Kajikawa, "Japanese Defense: Is This Transition?," SAIS, The Johns Hopkins University, Advanced Research Seminar on Japanese Foreign Policy, May 1994, p. 24. See also, *The Defense of Japan 1993*, *op. cit.*, pp. 35–37.

difficult without the Cold War. Japan's ambassador to the United States, Takakazu Kuriyama, has pointed out that "if Japan is to contribute to (political stability) in the Asia-Pacific region," there is "no realistic alternative to the security treaty."²⁰ In fact a survey of books and articles published from 1991 to 1993 by eleven of Japan's leading "mainstream" strategic writers indicates no variation from the theme that the U.S.-Japan alliance should continue to be the cornerstone of Japan's international role.²¹ It is at least possible that this reflects more a failure of the imagination than clear strategic thinking. In a post-Cold War context Japan will surely face more cases where U.S. interests—and Washington's will to act—do not coincide with Japan's. Cold War rhetoric cannot continue to inform Japan's contemporary choices. And it will not. We believe that rhetoric about (and a recalculation of) Japan's autonomy will take its place.

The dilemma Japan faces—having to find ways to strengthen a drifting alliance with the United States while also developing new tools for independent action in an unpredictable world—is captured in two short passages in *The Japan Renovation Plan*, the best-selling book by political strongman Ichiro Ozawa. Ozawa comes smartly to the defense of the alliance in his book, noting that "synchronized steps with the United States are the most rational and efficient way for Japan to contribute to world peace. I often hear that the U.S.-Japan Security Treaty is unnecessary in the post-Cold War era, but this is a short-sighted view and is a grave mistake." In the same chapter, however, Ozawa quotes former Prime Minister Shigeru Yoshida's 1963 book, *The World and Japan*, to suggest that the Yoshida Doctrine itself has long been out of date: "Now the internal and external conditions surrounding Japan are significantly different from (conditions when I was Prime Minister). . . . Japan, an independent nation that has reached the highest level in its economy, technology and education, will always be in a state of weakness if it continues to depend upon another nation for its self-defense."²² It is clear that for Ozawa (as likely for other new leaders) the balance of integration and autonomy is as current (and as pressing) a challenge as ever.²³ In 1994, of course, he is opposed by a neo-Yoshidan, Yohei Kono, who favors "economics above all else" and who has reclaimed power as foreign minister and co-architect of the LDP-JSP alliance. The difference between 1950 and 1994 is that the Cold War is no longer an easy excuse for avoiding choices—by either partner.

In early 1994 then-Prime Minister Morihiro Hosokawa established an Advisory Group on Defense Issues to make recommendations on Japan's strategic choices for the next century. The group's August 12, 1994, report notes that in the future Japan's security will rest on three bases: strengthening multilateralism (either regionally or through the United Nations); strengthening autonomous capabilities; and reaffirming the U.S.-Japan alliance to conform more closely to post-Cold War realities. The report claims that each pillar could coexist with the bilateral security treaty and allow Japan to play a larger role in the international system. Also implicit in the report is the notion that each option could provide Japan with new foreign policy tools to safeguard national interests in the international system. What the report fails to mention, however, is that each option also depends upon the impact of growing economic integration and convergence—and that none of the options comes without costs.²⁴

²⁰Quoted in *The United States and Japan in 1991: Discord or Dialogue?*, Washington, DC: SAIS, The Johns Hopkins University, 1991, p. 98.

²¹The authors were: Ichiro Ozawa, Masashi Nishihara, Hisahiko Okazaki, Hideo Sato, Motofumi Asai, Tatsumi Okabe, Shiro Saito, Masataka Kosaka, Hiroshi Nakanishi, Minoru Tamba, and Takeshi Igarashi. From Paul Wuh, "Intellectual Thought on the United States-Japan Security Treaty," SAIS, The Johns Hopkins University, Advanced Research Seminar on Japanese Foreign Policy, May 1994.

²²Ichiro Ozawa, *Nihon Kaizo Keikaku (The Japan Renovation Plan)*, Tokyo: Kodansha, 1993, pp. 117 and 110.

²³See also the influential MITI report, *Nippon no Sentaku (Japan's Choices)*, published in 1988. It stresses the desirability of a "linkage-based security system," which strengthens Japanese self defense sufficiently to assure the United States that the security treaty will be honored, but not enough to undermine relations with Japan's neighbors. The "linkages" are technological and economic as well: "A nation's security and its contribution to international security cannot be measured in military terms alone . . . (e)conomic stability is an extremely important element in the security of a nation or a region. . . . (I)ncreased interdependence in economic areas such as trade, capital, technology, and information serves to increase security as well." p. 114.

²⁴Advisory Group on Defense Issues, "The Modality of the Security and Defense Capability of Japan: The Outlook for the 21st Century," August 12, 1994 (available from the Japan Defense Agency).

Whither Multilateralism?

In 1957, the year after Japan joined the United Nations, Foreign Minister Nobusuke Kishi articulated what eventually became known as Japan's "UN-centered diplomacy." Japan's foreign policy, according to Kishi, would have three pillars: cooperation with free democratic nations (and specifically the U.S.-Japan alliance); identification with Asia; and conduct of diplomacy in line with the principles and goals of the United Nations.²⁵ For several decades this "UN-centered diplomacy" served more as a foil for other foreign policy goals than as the actual centerpiece of Japanese security policy. The United Nations provided the Japanese government with domestic political cover for joining the alliance with the United States (since the security treaty was presented as a temporary measure until the United Nations could provide Japan with effective collective security) and as an excuse for nonaction in international affairs (since the divisive nature of most UN debates meant that Japan was safe from having to act on positions taken in the world body). By the early 1970s, however, the Japanese government also began to discover that the United Nations provided an important forum for articulating those foreign policy goals that were beginning to diverge from those of the United States, particularly in the Middle East.²⁶ The 1991 Gulf War demonstrated for Japan that deliberations in the United Nations could, in fact, have a direct and profound impact on Japan's economic interests vis-à-vis the United States and in third regions. Most Japanese political leaders did not agree with the decision to militarize the Gulf crisis but had no choice but to follow (and underwrite) the U.S. leadership. It became clear that leadership in the United Nations would allow Japan to anticipate—if not directly influence—the new collective security decisions that the world body would make. As former Prime Minister Yasuhiro Nakasone wrote shortly after the Gulf War: "Following the end of the Gulf War . . . the UN collective security regime has demonstrated its practicality and created hope for the future."²⁷

The evidence of a reawakened collective security regime during the Gulf War appeared to open a new avenue for Japan to influence its strategic environment without violating constitutional or political prescriptions against the use of force in international affairs. Shortly before its temporary fall from power, the Liberal Democratic Party produced a document under the direction of Ichiro Ozawa that stated the conservative consensus view on the prospects for a new Japanese security role through the United Nations. The report advocated a more active role for Japan in peacekeeping operations (PKO) and formed the basis for Japan's eventual PKO legislation and the dispatch of noncombat Self-Defense Force personnel to Cambodia, and later to Rwanda.²⁸ Ozawa has been joined by most of Japan's other political heavyweights in urging Japanese membership on the UN Security Council. The Murayama cabinet officially announced Japan's desire to gain a seat on the Security Council in September 1994, after assuring pacifists in the Socialists' ranks that this would not lead to a loosening of current restrictions on Japanese participation in PKO missions.

There is no doubt that UN Security Council membership would increase Japan's prestige in the international system and would represent the ultimate prize in Japan's postwar quest to reestablish a responsible presence in international organizations. But would a new "UN-centrism" solve Japan's fundamental insecurities in the post-Cold War era? Japan limits itself to nonmilitary roles in peacekeeping operations; even with a more overtly military role, could Tokyo count on the cumbersome Security Council decision-making structure to sanction the dispatch of Japanese forces in Asia in a real crisis? The question raises serious problems. Moreover, leadership in the Security

²⁵Sadako Ogata, "The Changing Role of Japan in the United Nations," *Journal of International and Comparative Law*, 1991; and Yasuhiro Ueki, "Japan's UN Diplomacy: Sources of Passivism and Activism," in Gerald Curtis, et al., *Japan's Foreign Policy After the Cold War: Coping with Change*, New York: Columbia University, 1993.

²⁶Japan supported the Arab position in 1974, inviting the Palestinian Liberation Organization to represent the Palestinian people in the General Assembly, and took other similar actions in opposition to the United States.

²⁷Yasuhiro Nakasone, *Seiji to Jinsei (Politics and My Life)*, Tokyo: Kodansha, 1992, p. 324. Quoted in Kajikawa, *op. cit.*, p. 6.

²⁸LDP, "Kokusaihakai ni Okeru Nihon no Yakuwari: Anzen Hosho Mondai ni kansuru Teigen," ("Japan's Role in the International Community: Proposals on Security Issues"), February 3, 1992.

Council requires frequent decisions that anger other member states. Japan's "omnidirectional diplomacy" could not survive an activist role in the United Nations. Although the United States supports a Japanese Security Council seat, there is also the danger that greater activism in the United Nations might weaken the alliance with the United States. As Ozawa notes both in his book and in the LDP report, it is not the United Nations so much as the U.S.-led collective security system that will guarantee stability in the post-Cold War world. Thus Japan can only "hope that the United States conducts its foreign policy perfectly hand-in-hand with the United Nations so that Japan can avoid a dilemma."²⁹

Above all, a greater role for Japan in the United Nations (or any other multilateral institutions such as the International Monetary Fund, for that matter) will depend upon the extent to which the current and future Japanese governments are willing to take measures to preserve an open international economic system. Japan must also show a willingness to protect refugees and others displaced by war and economic change. This requires greater openness at home first—the first real test of which will be the *tsunami* of refugees who would flood into Japan in the event of political unrest or war in the region. The larger trade-off is clear: convergence and some reduction of autonomous control over the domestic economy is the price of gaining greater influence on the overall global system. Japan has reached a point in its postwar development where that choice would be "rational"; but there is no guarantee that it will be taken.

Japan is less ambivalent regarding regional multilateral structures. Several observers of Japanese foreign policy have noted that Japan could pursue regional multilateral arrangements either to balance the United States, or simply to compensate for a lack of U.S. leadership in Asia.³⁰ After years of opposing multilateral security structures during the Cold War, recent Japanese governments have been more assertive in calling for strengthening of the regional political roles of the Post-Ministerial Conference of the Association of Southeast Asian Nations (ASEAN) and the Asia-Pacific Economic Cooperation (APEC) forum; Prime Minister Kiichi Miyazawa went so far as to call for an Asian version of the Conference for Security and Cooperation in Europe (CSCE). Thus far Japanese support for new multilateral security forums has been calculated to keep the United States engaged in Asia, rather than to replace the U.S.-Japan alliance. Despite possible neoisolationism, this trend will probably continue, given the increased leverage that the alliance gives to Japan in the region and the fact that neither Beijing nor Seoul (nor any other neighbor) is eager to see a truly independent Japanese leadership role in regional geopolitics. Nevertheless, intraregional trade and technology transfer are on the rise (as is the value of the yen), and the extreme alternative to convergence for Japan has always been to pursue greater autonomy through increased hegemony in the region. Japan now has the strongest indigenous air force and navy in Asia, and these assets are being reoriented southward. At this point, economic and political *nemawashi* (confidence-building) has ensured that this has not been interpreted as a threat by Japan's neighbors. But as ex-Justice Minister Shigeto Nagano discovered when he publicly misrepresented the Nanking Massacre, Japan's neighbors have a long memory. Ultimately the costs of pursuing regional hegemony in the 1990s are immeasurably higher for Japan than they were in the 1930s, and only dramatic changes in U.S. policy would make that option very attractive.

Whither Autonomous Defense?

The last time Japan faced the prospect of U.S. withdrawal from East Asia at a time of geopolitical uncertainty and domestic prosperity was in 1970. President Nixon's Guam Doctrine and the expected renewal of Okinawa raised the prospect that Japan would have to provide for more of its

²⁹Ichiro Ozawa, *The Japan Renovation Plan*, *op. cit.*, p. 130. This point is also stressed in the August 1994 report of the Advisory Group on Defense Issues.

³⁰See, for example, Wayne Sandholtz and Michael Borrus, *The Highest Stakes: The Economic Foundations of the Next Security System*, New York: Oxford University Press, 1992.

own defense. Yasuhiro Nakasone, then director-general of the Defense Agency and a newly crowned faction leader, proposed that Japan change its 1957 Basic Defense Law so that the Self-Defense Forces would become the first measure of Japan's defense capabilities and the U.S.-Japan alliance the second (a reversal of previous policy). As part of his plan, Nakasone proposed a dramatic increase in Japan's indigenous defense production and procurement. After several years of domestic and regional political turmoil over the plan and the opening of an important new relationship with Beijing in 1972, the Japanese government set aside the controversy by explicitly reinforcing the position of the U.S.-Japan alliance as the foundation for Japan's security (most importantly, through the 1976 National Defense Program Outline, the 1978 Guidelines for U.S.-Japan Defense Cooperation, and the 1980 Systems & Technology Forum).³¹

Today, Japanese and U.S. forces have a high level of interoperability, and most big-ticket items acquired by Japan's defense establishment are still being procured or coproduced under license from the United States (including AWACS, Aegis, F-15s, and the multiple-launch rocket system, or MLRS). Japanese and U.S. defense contractors are collaborating on development of the FSX after an intense political confrontation and despite persistent mistrust.³² There is even talk about collaboration on the development and deployment of a theater missile defense system. Having stared into the abyss of autonomous defense once in the 1970s, Japan's defense establishment is not eager to open old debates and risk another loss of popular support for defense spending by pushing large indigenous defense projects or independent military missions. Besides, Japanese contractors have benefited significantly from their licensing relationships with U.S. military prime and subcontractors.³³ The 1994 report of the prime minister's advisory panel on defense states quite clearly that "the U.S.-Japan Security Treaty will assume a greater significance than ever before."³⁴ The only scenario that seems likely to change this trend would be a U.S. failure to react to a direct military threat to the Japanese home islands.

However, there may still be strong incentives for Japan to pursue autonomy in the areas of intelligence and surveillance, since these are crucial to the implementation of nonmilitary aspects of comprehensive security. The Japan Defense Agency has explored plans to strengthen its intelligence capabilities, and think tanks associated with the agency have publicly expressed interest in the deployment of surveillance satellites. While Diet prohibitions against the militarization of space may keep the SDF out of that particular business, Japan's nondefense ministries are developing dual-use satellites for global environmental and disaster surveillance which would serve the same purpose.³⁵ The Foreign Ministry, meanwhile, has reorganized its Information and Analysis Bureau into better-funded and higher-tech International Intelligence and General Foreign Policy Bureaus. Support is strong for a further expansion of intelligence gathering and assessment capabilities across ministerial lines.³⁶ The expansion of autonomous intelligence capabilities does not in itself

³¹ See Michael Green, "Japan in Asia: The American Connection" in *Global Affairs*, Summer 1991.

³² This is the conclusion of a study undertaken by the MIT Japan Program and the Defense Production Committee of *Keidanren*, the Japanese Federation of Economic Organizations. For the survey results, see Michael Green, "The Japanese Defense Industry's Views of U.S.-Japan Defense Collaboration: Findings of the MIT Japan Program Survey," Cambridge, MA: MIT Japan Program Working Paper WP94-01, January 1994; and Matthew Rubiner, "U.S. Industry and Government Views on Defense Technology Cooperation with Japan: Findings of the MIT Japan Program Survey," Cambridge, MA: MIT Japan Program Working Paper WP94-03, March 1994. For the policy implications of these findings, see Michael J. Green and Richard J. Samuels, "U.S.-Japan Defense Technology Cooperation: Ten Guidelines to Make it Work," Cambridge, MA: MIT Japan Program Working Paper WP94-07, May 1994.

³³ See Richard J. Samuels, *Rich Nation, Strong Army*, *op. cit.* chapters 6-8.

³⁴ Advisory Group on Defense Issues, "The Modality of Security . . .," *op. cit.*, p. 4.

³⁵ "JDA Wants Surveillance Satellites," *Nihon Keizai Shinbun*, January 18, 1994. Also Shunji Taoka and Hidetaka Sotooka, "Eikoku Tanomi Datta: Joho Shokoku Nihon" ("Aspiring To Be a Satellite Nation: Japan Is Now an Intelligence 'Small Nation'"), *AERA*, January 1994. The Defense Research Council, for example, a think tank made up of former SDF officials, has recommended the deployment of a surveillance satellite system that could cost up to \$10 billion. See Naoki Usui and Barbara Opall, "Japan Eyes Space for Defense," *Defense News*, August 1, 1994.

³⁶ Christopher Redl, "Japan's Inconspicuous Overt Operations: An Overview of Japan's Intelligence Community," SAIS, The Johns Hopkins University, Advanced Research Seminar on Japanese Foreign Policy, May 1994. Also, Takeshi Kondo, Atsuyuki Sasa, Haruhiro Shibuya, *et al.*, "Joho Shushu Bunseki Dentatsu Kino ikani Kyoka Suru ka?" ("Will Japan Improve Intelligence Gathering and Analysis Capabilities?"), *Gaiko Forum*, February 1994.

weaken the U.S.-Japanese strategic relationship; in fact, it could strengthen it. But such efforts also reduce Japan's reliance on the United States by improving capabilities for independent assessment and (potentially) independent action. The question is, what is to become of the U.S.-Japan alliance?

Whither the U.S.-Japan Alliance?

Given the costs and difficulties of achieving security through multilateralism or through more fully independent means, Japan's best bet remains alliance with the United States. The military dimension of the alliance is still operating on Cold War assumptions—which are not entirely irrelevant given the security threat posed by North Korea. The Japan Defense Agency is taking a harder look at joint training for PKO exercises, which would bring the bilateral military relationship closer into line with the SDF's newest post-Cold War mission. Eventually, however, the military side of the alliance will need to be supplemented with a more mature political relationship.

Japanese foreign policy strategists would generally like to see the two nations engage in closer consultation on regional issues, but Washington frequently approaches problems either from a “global” perspective (as with North Korea) or from a moralistic perspective (as with China) that can hamper coordination with Japan. There is potential for a partnership on a range of global issues including preserving the environment, developing new transportation and communication technologies, and combating AIDS (all areas covered in the State Department's “Common Agenda”), but final agreement on these areas is withheld by the United States as a carrot that will follow closure on the more contentious bilateral economic issues. All things considered, these global issues are important substantively and symbolically, but they are far less consequential to national security than are these other more pressing and politicized ones. As a result, Washington is not making Japan's choice between integration and autonomy any easier. And, despite our primary emphasis in this essay on the prospects for domestic political and economic transformations of Japan, we believe that choices made by the United States will continue to shape the Japanese security environment and Japan's global posture.

In Lieu of a Conclusion: Some Scenarios for the Future and Policy Recommendations

During the Cold War the concept of comprehensive security effectively broadened the Japanese national dialogue on defense issues and forced economic bureaucrats to think about the national security implications of their separate actions. It was a timely and important reaffirmation of Japan's evolving and contested security ideology. Yet there were few occasions when the Japanese government unilaterally placed its technological assets and economic interests on the line to influence the outcome of international political events.

Since the Gulf War, however, the Japanese government appears to be more willing to take such risks. The Foreign Ministry announced new guidelines for official development assistance in 1992, for example, that could make aid conditional on a nation's efforts at disarmament. MITI has unilaterally imposed restrictions on dozens of sensitive technologies and chemicals and has proposed a new regime to replace COCOM (the Coordinating Committee for Multilateral Export Controls) that is stricter in some ways than the Clinton Administration's proposals.³⁷ These are the early, limited, and (from a U.S. perspective) encouraging signs of a new willingness to leverage technology and economic assets in order to achieve foreign policy goals. It is not clear, however, whether the Japa-

³⁷Satoshi Isaka and Nakamae Hiroshi, “Japan Seeks Tighter Export Controls in Asia,” *Nikkei Weekly*, November 1, 1993; MITI, “The Future of Security Export Controls” (unofficial translation), February 1993; Alison Watkins, “Security Export Controls in Japan: A Case Study of Classic Foreign Policy,” SAIS, The Johns Hopkins University, Advanced Research Seminar on Japanese Foreign Policy, May 1994.

nese government will expand such efforts. Indeed, despite official expression of concern to China and Iran over arms exports, there are no signs that Japan plans to change its basic aid or economic policies toward these countries.

There is another more troubling (albeit untested) possibility for the trade-off of markets and politics. It is now possible for Japan to exercise technological and economic power vis-à-vis the United States.³⁸ There is as much debate about the nature and extent of this power as there is about Japan's willingness to exercise it. But there are many different kinds of costs associated with technological dependency, including foregone opportunities and incentives to produce and innovate. Exploitation of technological advantage for commercial or political ends might take the form of: a) *tying*: using market power to influence buyers' choice of purchase of another good; b) *rent seeking*: using market power to raise product prices; c) *extortion*: using market power strategically to allocate supply or deny it; and d) *predation*: using market power to sustain losses necessary to lower product prices and drive others from the market. Perhaps the greatest latent threat is e) *hollowing*: the progressive loss of capabilities in firms. In this last scenario, businesses are reduced to assemblers or handler/retailers that can no longer reap the profits of manufacturing and innovation, and that, as a consequence, lose capabilities and institutional ties between suppliers and primes, weakening entire industries.

While U.S. analysts and firms—especially those at the supplier base—have raised these as consequences of Japanese corporate practice, there is no evidence that Japanese foreign policy is turning toward the use of comprehensive security as an offensive weapon.³⁹ It is not necessary to assume Japanese (or any foreign) malice in order for technological dependency to hurt the U.S. economy; but because Japanese firms and the government view technology as a strategic asset rather than as a commodity, we must assume that the global market for technology is unlikely to operate perfectly according to the principles of supply, demand, and price. (The best historical precedent was U.S. export controls and the use of the COCOM regime as an instrument of U.S. foreign policy.)

While Japan's government and businesses enjoy an historically unprecedented capacity to influence the U.S. economy, it is also possible to understand Japanese technology and component supply as a reassurance to the Japanese that the United States will remain committed to Japan. Japan seeks assurance that the United States will not abandon it, more than it seeks to control or dominate the U.S. economy. As a former official of the Japan Defense Agency's Technical Research and Development Institute said in 1990, the U.S.-Japan security relationship should be built upon a recognition of our complex interdependence—each side should be “indispensable to the other.”⁴⁰

We are left to speculate about the ways in which contradictions between autonomy and interdependence will be played out in Japanese strategic thinking. There are three general possibilities. Each is accompanied by palpable threats to Japanese autonomy.

A Japan that Can Say “Yes”

Here Japan chooses positively for interdependence and, at last, is ready to assume its full share of the associated costs. Political restructuring leads to a greater national mandate

³⁸This paragraph is derived from the research assistance of George Gilboy, Department of Political Science, Massachusetts Institute of Technology, 1993.

³⁹See, for example, “Dependence of U.S. Defense Systems on Foreign Technologies,” Washington, DC: Institute for Defense Analysis, P-2326, January 1990; “Foreign Vulnerability of Critical Industries,” Washington, DC: Analytical Sciences Corporation, 1990; U.S. Department of Commerce, Bureau of Export Administration, Office of Industrial Resource Administration, Strategic Analysis Division (ed.), “Foreign Dependency Study Overview: Harm Missile Mark 48 ADCAP Torpedo, and Verdin Communications System,” Washington, DC: U.S. Government Printing Office, April 1991; *Ibid.* (ed.), *National Security Assessment of the Domestic and Foreign Subcontractor Base: A Study of Three U.S. Navy Systems*, Washington, DC: U.S. Government Printing Office, March 1992.

⁴⁰*Boeigijutsu*, April 1990, quoted in *FBIS Foreign Press Note*, October 12, 1992.

for deregulation and creative destruction of the old economic structures. Japan demonstrates greater leadership in international organizations and regional openness, and thereby channels nationalism in a positive direction. This option requires a strong U.S.-Japan partnership through continued access to technology in exchange for reciprocity and symmetrical access to Japan's technology base. Resolution of the most fractious among U.S.-Japanese economic disputes will also be necessary. The immediate prospect for this outcome was hindered significantly by the creation of the Murayama government. (35:100 odds)

A Japan that Can Say “No”

Nascent efforts at economic restructuring fail. They run head-on into global protectionism and conservative/nationalist forces at home. As in the 1930s, when Japan pursued autarky and withdrew from the League of Nations, a disaffected public supports greater Japanese autonomy and creates a constituency for demagogues willing to blame foreigners for Japan's suffering. A hostile international system, tired of Japan's dithering about its autonomy and its membership in the community of nations, effectively makes Japan's choice for it. Again, like in the 1930s, Japan increasingly ignores U.S. demands, but this time U.S. demands become increasingly irrelevant to a Japan that now has alternatives. In this context, a real security crisis could lead to a breakdown of the U.S.-Japan security treaty. Japan would have autonomy and possibly regional hegemony (although China would have something significant to say about this), but far less influence in global affairs, and would be denied U.S. protection. This outcome remains less likely than the one above despite the new government, whose efforts to build a “powerful trading state” would suffer considerably from saying “no.” (15:100 odds)

A Japan that Doesn't Know What to Say

The odds are best that Japan continues to dither politically and economically. Some conservative Japanese leaders take half measures to deregulate and open the economy. Others take measures to preserve the status quo and slow down deregulation. The latter seek support from any who might offer it—including the left—despite having to reveal their naked opportunism. The party system takes too many elections to solidify, and Nagata-cho, Tokyo's legislative district, is paralyzed by its preoccupation with each next (temporary) coalition. Japan looks more and more like Italy, but continues to wait in vain for a Berlusconi-like leader from industry. Debates over autonomy and interdependence remain unresolved and define the central cleavage in Japanese political discourse. U.S.-Japan economic friction continues, but Japanese companies continue to form strategic alliances with their U.S. counterparts. Japanese efforts to strengthen multilateral arrangements in Asia are rebuffed by the Chinese, as are efforts to get a Japanese seat on the Security Council. Ministry of Foreign Affairs efforts to energize the U.S.-Japan security treaty are only partially successful given the lack of consistent political commitment. Japanese efforts to introduce more autonomous military and intelligence capabilities contribute to the accelerating arms buildup in the region, but the most destabilizing consequences of this buildup are offset by the growing economic interaction in Northeast Asia and by a continued U.S. military presence desired by each. (50:100 odds)

We believe that the odds that Japan will say “yes” can be improved by U.S. policy that appreciates the trade-off and tension between autonomy and interdependence in Japan. Washington's Japan policy must integrate overtly its political, military, economic, and technological objectives vis-à-vis Japan. In particular, we recommend the following:

- The United States should actively engage the Japanese government in a dialogue concerning precisely which roles and missions Japan is willing to undertake to preserve

global peace and security. These activities should not be limited to force deployments and must amount to more than rhetoric about Japan's internationalization. The dialogue should focus, *inter alia*, on clarification of Japan's commitment to UN peacekeeping operations, foreign aid, export controls, intelligence satellite data, and initiatives to preserve the global environment.

- The United States must pursue a consistent policy of technological reciprocity with Japan. The current initiative undertaken by the U.S. Defense Department (the so-called Technology for Technology Initiative) is a start.⁴¹ However, the policy must be directed at creating incentives for U.S. industry to seek and use Japanese technology, and for Japanese industry to provide that technology. With the support of industry it might then be broadened beyond defense and dual-use technology.
- Above all, it is in the interest of the United States to appreciate that the debate between insularity and integration will continue to grip Japan. U.S. policy should encourage and stimulate Japan's transformation, without assuming that such a change is either imminent or inevitable. n

⁴¹For detailed policy recommendations on this project, see Michael J. Green and Richard J. Samuels, "U.S.-Japan Defense Technology Cooperation: Ten Guidelines to Make it Work," *op. cit.*